

## **COUNTY COUNCIL – 26 MARCH 2019**

### **QUESTION FROM MEMBERS OF THE PUBLIC**

#### **1. Question from Ben Christie, Forest Row East Sussex**

The East Sussex Pension Fund's Responsible Investment Policy states that 'The Fund will incorporate climate risk assessment as part of the annual investment strategy review (considering the Fund's investment strategy under a range of climate change scenarios, including a 2 °C scenario).'

Which climate change scenarios will this year's annual investment strategy review consider, and when will the latter be made available to the public? Will any 1.5 °C scenarios be included?

#### **Response by Councillor Fox on behalf of the Chair of the Pension Committee**

The Pension Committee has an annual strategy review which looks at all the investment risks that the East Sussex Pension Fund is facing. The agenda for the Strategy day has not been finalised, but it will include but not limited to Environmental, Social and Corporate Governance (ESG) and Responsible investment strategies.

The strategy day is neither a public meeting nor a formal decision making meeting of the Committee, but an opportunity to review the fund current investment strategy and to set the future investment priorities for the fund.

#### **2. Question from Gabriel Carlyle, St Leonards on Sea, East Sussex**

According to data provided by East Sussex County Council, in response to a Freedom of Information Act request, local schools and sixth-form colleges contributed over £9.8m to the East Sussex Pension Fund during the 2017-2018 financial year.

([https://www.whatdotheyknow.com/request/details\\_of\\_contributions\\_by\\_scho#incoming-1314141](https://www.whatdotheyknow.com/request/details_of_contributions_by_scho#incoming-1314141)).

Can the Pension Committee confirm this figure and provide the figures for employers' and employees' contributions (in 2017/18) from each of the 'Active Participating Employers' listed on pages 54, 55 and 56 of its annual accounts (<https://democracy.eastsussex.gov.uk/documents/s19554/Appendix%201%20-%202017-18%20draft%20Pension%20Fund%20Annual%20Report.pdf>)?

#### **Response by Councillor Fox on behalf of the Chair of the Pension Committee**

The Pension Committee recognises (for the few employers set out in the response to the Freedom of Information request) that their employer contribution for the 2017/18 financial year was £9.8million around 10.3% of the total employer contributions.

The total employer contribution into the Fund for 2017/18 was £95million. The total employee contribution into the Fund for 2017/18 was £29million. As some of the employer contributions contains employers in the Fund who only have a single active member within the scheme. Providing this data would enable the salaries of these members to be calculated.

### **3. Question from Frances Witt, Lewes East Sussex**

A recent analysis by Jeremy Grantham, co-founder and chief investment strategist of Grantham, Mayo, Van Otterloo, one of the largest asset management firms in the world, used past data to test how an investment portfolio would be affected by divesting from a group of companies that are listed in the Standard & Poor's 500. Their analysis found that investors could divest from any sector without any impact on risk/return. ('The mythical peril of divesting from fossil fuels' <http://www.lse.ac.uk/GranthamInstitute/news/the-mythical-peril-of-divesting-from-fossil-fuels/>).

Are the East Sussex Pension Fund's fund managers and investment consultants aware of Grantham's analysis? Do they accept it and, if not, why not?

### **Response by Councillor Fox on behalf of the Chair of the Pension Committee**

The Fund's investment managers do their own research on each company that they invest in. They will look at all aspects of the companies before investing. The Committee challenges its investment managers on their investment rationale including how they have considered Environmental, Social and Corporate Governance (ESG) risks.

The Fund's Investment Consultants have their own research team and are constantly considering the latest theoretical research. They inform the Committee of their view where this is considered, discussed and challenged – if necessary.

### **4. Question from Hugh Dunkerley, Brighton**

At the December 2018 Full Council meeting Councillor Stogdon stated that 'The Pension Committee believes by increasing pressure on fossil fuel companies, through active shareholder engagement, we can get companies to improve their corporate behavior.' What "improvements" in the behaviour of fossil fuel companies does the Committee believe that it will be able to secure by 2030, and on what evidence does it base this belief?

### **Response by Councillor Fox on behalf of the Chair of the Pension Committee**

The Fund believes that its influence as a shareholder is better deployed by engaging with companies, in order to influence behaviour and enhance shareholder value.

Going forward the Fund's approach to engagement recognises the importance of working in partnership to magnify the voice and maximise the influence of investors as owners. The Fund appreciates that to gain the attention of companies in

addressing governance concerns; it needs to join with other investors sharing similar concerns. It does this primarily through:

- Membership of representative bodies including LAPFF;
- Membership of the Pensions and Lifetime Savings Association (PLSA);
- Giving support to shareholder resolutions where these reflect concerns which are shared and affect the Fund's interests;
- Joining wider lobbying activities when appropriate opportunities arise.

Without Investor engagement the committee believes that ongoing changes in company's behavior would not have happened. The Committee also believes that companies have started to make public commitments that will increase pressure on other companies within the sector to do the same.

## **5. Question from John Enefer, Hastings East Sussex**

At the December 2018 Full Council meeting Councillor Stogdon welcomed the publication of the Transition Pathway Initiative's discussion paper 'Carbon Performance Assessment in Oil and Gas' (<http://www.lse.ac.uk/GranthamInstitute/tpi/wp-content/uploads/2018/11/Oil-and-gas-discussion-paper.pdf>). The latter found that none of the ten largest publicly listed oil and gas companies had 'proposed to reduce its carbon intensity sufficiently to be aligned with a Below 2 Degrees benchmark or to achieve net zero emissions by 2050.' In his answer Councillor Stogdon wrote that the report meant that the Pension Committee would 'be better informed to challenge our Investment Managers to ensure that they are taking these risks into consideration when making investments.'

What steps has the Pension Committee taken since December to challenge its Investment Managers to ensure that they are taking these risks into consideration when making investments? What were the results of these steps?

## **Response by Councillor Fox on behalf of the Chair of the Pension Committee**

The Pension Committee continues to directly challenged its investments managers (when necessary) on how they have incorporated Environmental, Social and Corporate Governance (ESG) risks when manager attends the Committee meetings. The committee also receives updates at training sessions on ESG/Responsible Investment risks and how investment managers incorporate them.

The Committee is working with the Fund Investment Consultants and Independent Advisor to incorporate ESG reporting into the Fund quarterly/annual performance reports.

## **6. Question from Lottie Rodger, Lewes, East Sussex**

At the December 2018 Full Council meeting I asked Councillor Stogdon what steps the members of the Pension Committee were taking in the wake of the Intergovernmental Panel on Climate Change (IPCC)'s recent report 'Global Warming

of 1.5 °C', to help ensure that global warming does not exceed 1.5 °C. In my question I quoted the assertion of Professor Nicholas Stern, who authored the Stern Review on the Economics of Climate Change for the UK government, that passing this threshold would bequeath my generation 'a world in which it will become increasingly difficult for us and future generations to thrive'. In his response Councillor Stogdon directed me towards 'the minutes of [the Pension Committee's] meetings' where, he said, I would 'see that very considerable consideration has been given to these issues'. These minutes do indeed show that some 'consideration' has been given to these issues, but this 'consideration' does not appear to have been matched by meaningful action. Given the meagre results of the Fund's policy of "engaging" with fossil fuel companies - a policy that appears to have no meaningful benchmarks or timeline – and the need for urgent action to avert the looming climate crisis, I would respectfully ask again: what meaningful steps are you and the other members of the Pension Committee taking to help ensure that your generation fulfils its duty not to bequeath a 2 °C (or worse) warmed world to my generation

### **Response by Councillor Fox on behalf of the Chair of the Pension Committee**

The Pension Committee believes by increasing pressure on fossil fuel companies, through active shareholder engagement, we can get companies to improve their corporate behavior. Improvements made by these engagements lead to an increase in the long term value of the Fund's investments.

The Fund's approach to engagement recognises the importance of working in partnership to magnify the voice and maximise the influence of investors as owners. The Fund appreciates that to gain the attention of companies in addressing governance concerns it needs to join with other investors sharing similar concerns. Along with its investment into the Climate Aware Fund, this provides an incentive to companies to move towards limiting climate change.

### **7. Question from Arnold Simanowitz, Lewes, East Sussex**

At the last Full Council meeting I asked Cllr Stogdon whether he could 'point to anything specific achieved by [the Council's engagement with fossil fuel companies] that might help to limit global warming to 1.5 degrees?' In his response, Cllr Stogdon named one action ("the recent response ... of BP") which, he said "shows some indication that engagement is a constructive policy".

How does he square this judgement with Share Action's assessment that BP's 2019 Energy Outlook 'follows the well-trodden path of its predecessors, seeking to reinforce the status quo of fossil fuel domination in the energy matrix ... fail[ing] to provide for a world in which oil and gas are phased out more rapidly to reduce emissions in line with the Paris Agreement ... a move which would pose a more substantial risk to its business model and threaten its future profitability' (<https://shareaction.org/bp-energy-outlook-2019-a-dual-challenge-but-not-a-dual-commitment/>).

## **Response by Councillor Fox on behalf of the Chair of the Pension Committee**

An extract from the BP's 2019 Energy Outlook states that .....The Outlook considers a number of different scenarios. These scenarios are not predictions of what is likely to happen or what BP would like to happen. Rather, they explore the possible implications of different judgements and assumptions by considering a series of "what if" experiments. The scenarios consider only a tiny subset of the uncertainty surrounding energy markets out to 2040; they do not provide a comprehensive description of all possible future outcomes.

### **8. Question from Alice Burchfield, Peacehaven, East Sussex**

What is the County Council's commitment to enabling schools to remain being managed by local authority, and not to have to convert to academy status? How are you going to support these schools in the future?

### **Response by the Lead Member for Education and Inclusion, Special Educational Needs and Disability**

The Local Authority (LA) works with all schools, regardless of their status, to improve outcomes for pupils. We retain a strong focus on promoting high standards and having high expectations for all groups of pupils. One of the key priorities articulated in the LA's '*Excellence for All*' strategy for school improvement is creating a sustainable model of system-led improvement by developing and supporting a range of partnerships. A self-improving system led by schools is one where the best schools and leaders can take on greater responsibility, leading improvement work across the area and working together to improve outcomes for pupils. All schools across East Sussex are part of a range of partnerships and work closely with other schools to share good practice and provide school to school support.

As part of our strategy for school improvement, the LA works with school leaders and governors to support them to explore formal partnership arrangements. This is in response to the national policy context for academies and changes to school funding, as well as supporting the delivery of effective school to school support. Formal partnership arrangements include federations where schools remain within LA management and multi-academy trusts where funding and accountability moves to the Regional Schools Commissioner. Formal partnerships facilitate the sharing of leadership, staff and resources more effectively than informal partnership arrangements.

The decision about whether a school converts to academy status is the decision of the governing body, unless the school has been directed to convert by the Secretary of State. If I am asked to take a view on a particular school I would seek advice from officers, governors and parents.

### **9. Question from Emily O'Brien, Newhaven, East Sussex (on behalf of Community Action Newhaven)**

My question is in relation to the Newhaven Port Access Road costing £23 million of public money, £13 million of which comes from ESCC's hard-pressed capital budget.

The route chosen runs alongside the brand new Enterprise Zone funded Eastside South business park, but bizarrely doesn't link to this important regeneration zone. Instead the business case sets out that all traffic from the new business park, as well as from the nearby Bevan Funnell regeneration site, will use Railway Road and Beach Road - these are the same roads that the Port Access Road is supposedly being built to relieve from commercial traffic.

The business case for the port access road estimates the following areas for the two sites:

Bevan Funnell 10,000 square metres

Eastside South 7,800 square metres

This is a substantial area given that with the route chosen, the only site to actually benefit from the road, East Quay, is just 9,750 metres.

Clearly the traffic from Bevan Funnell and Eastside South sites will impact heavily on Railway and Beach Roads. We assume there must have been some kind of impact assessment around the effects on Beach and Railway Road in order to choose the most sensible route for the port access road, and ensure you are not robbing Peter to pay Paul. Can you confirm what assessments took place, and share with us what the anticipated impact of these two sites on Railway Road and Beach Road will be, in terms of traffic volumes, noise, pollution and air quality?

### **Response by the Lead Member for Economy**

As Ms O'Brien will be fully aware from her previous correspondence with the County Council, the alignment for the Newhaven Port Access Road (NPAR) which is currently being constructed was approved in 1996, and latterly renewed in 2002 and 2007.

The commercial development unlocked by the NPAR has been part of the proposals from when the road was initially conceived, as demonstrated in the report to the then Highways and Transportation Committee recommending approval of the first public consultation in 1994. The report to the Committee stated that *"the new link road would serve many purposes; as part of an improved direct route from the trunk road network to the port, as an access road to the proposed Eastside industrial area extension, and as a relief road for Beach Road and Railway Road...."*

As highlighted in the business case approved by the Department for Transport (DfT), the construction of the Newhaven Port Access Road has a positive influence on the delivery of the Bevan Funnell and Eastside South Enterprise Zone sites by removing Port-related HGV traffic from local access roads of Beach Road and Railway Road, and thereby improving the attractiveness for business investment on these sites.

In addition, as part of the business case submitted to the DfT there is an assessment of the noise, air quality and air pollution (greenhouse gases) of the Port Access Road which is summarized in the appraisal summary table. In terms of noise, and air quality, the appraisal identified that the Port Access Road will resolve traffic and the associated environmental conflicts arising from Port traffic in residential communities on Railway Road/Beach Road. Therefore the decrease in the traffic flows will mean that there is likely to be a beneficial impact in terms of noise and air quality. In addition, the reduction in traffic will result in vehicles driving more efficiently and provide modest air pollution benefits.

The noise, air quality and transport impacts of these development sites would be considered as part of any planning applications for these sites. That information will be within the documentation submitted to the local planning authority.

In conclusion, the proposed alignment of the Port Access Road, for which we have planning approval and the funding to deliver, is the most appropriate as it will provide better access into the Port, remove the constraints on the Port's development and maximise the development opportunities of other Enterprise Zone sites including Bevan Funnell and Eastside South.